

Post Conflict Multi-Sector Program

Project Summary

Subsector	Market Economy Transition Assistance
Location	Nationwide
Project Cost	\$150.0 Million
Project Type	Market Economy Transition
Project Executing Firm/Agency	Ministry of Finance
Funding Agency	Asian Development Bank/



Project Outline

The objective of the program loan is to support policy and institutional reforms to improve governance and strengthen the financial, transport, and energy sectors; and promote economic recovery and growth within the framework of a market economy. The major areas of reform are currency, Banking Law and Central Bank Law, payments system, fiscal management and transparency, governance reform, institutional efficiency and effectiveness of ministries and agencies, regulatory framework for transport, improved transparency and accountability, cost recovery, private sector participation, safe, and reliability of energy systems, and separation of operational and regulatory functions. The program is in consonance with the initiatives of the International Monetary Fund (IMF) and the World Bank Group, which are aimed at facilitating Afghanistan's transition to a market economy.

Technical Description

The program will have four components:

- Supporting establishment of a clear and well-defined policy and legal framework for agriculture, social, transport, and energy sectors
- Improving management efficiency of these sectors by restructuring key institutions
- Establishing regulatory and market-based pricing policy framework for the sectors
- Supporting agriculture sector rehabilitation, national road building, and rehabilitation of primary schools and other facilities. Specific outputs will include government policy statements and new legal instruments for agriculture, social, transport, and energy sectors; regulatory framework for water use in agriculture, chemical, and pesticide use; natural resource management; health service delivery; and, gas, electricity, and petroleum and petroleum products.

Project Site

The project will take place throughout Afghanistan.

Project Status/Timeline

This project was approved by the Asian Development Bank (ADB) on December 4, 2002, and the first tranche of \$100 million equivalent, of the 2 tranche policy loan, was released on loan effectiveness on 6 December 2003. The second tranche of \$50 million equivalent will be made available about 12 months later upon satisfactory compliance with agreed-upon second tranche conditions, as well as continued compliance with all first tranche conditions. The program loan is to be implemented over 18 months. An ADB Mission visited Kabul from April 8 – 15, 2003 to assure continued compliance with the First Tranche conditions and to review the status of compliance of the Second Tranche conditions. The Mission found that there was continued compliance of the first tranche conditions and that substantial progress has been made in compliance with the second tranche conditions.

Equipment and Services

Equipment needs for the project are yet to be determined. No consulting services will be provided under the program. The program will address basic policy and institutional reforms in budgetary management and in the transport, energy, and financial sectors.

Provisions have been made for investment and capacity building in these sectors by linking program monitoring and implementation with the activities of ADB-funded advisors working in the concerned ministries and departments.

U.S. Competitiveness

U.S. firms are traditionally strong in transportation and energy, as well as financial sectors and markets, and are expected to be very competitive for this project.

Project Financing

The project value of \$150.0 million will be entirely funded by the ADB. This project was approved on December 4, 2002.

Conclusion

The program will assist in meeting some of the adjustment costs of the reform process to ensure improved functionality of these sectors. Reform of the agriculture sector would help improve the livelihood of at least 80 percent of the population and contribute to conservation of natural resources. Social sector reform would be critical in ensuring delivery of cost-effective and efficient services to the population especially in rural areas, which are currently under served. The program will help to reduce disruptions to production in those sectors of the economy for which transport and energy are essential inputs, encourage the use of these services in those activities in which returns are greatest, and reduce waste associated with low prices. Given the important contribution of energy and transport to economic activity, the benefits of the program will be felt throughout the economy. In addition, the program will build broad-based understanding and consensus on the need for reform through the development of transparent participative framework.

Key Decision Makers

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